

## OPEN FORUM ON POVERTY

### **Surprises in Poverty Indicators**

*New poverty statistics/indicators based on Household Income and  
Expenditure Survey 2006/2007*

Presented by

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## CONTENTS

<b>1. Introduction</b>	<b>3</b>
<b>2. Summary of Presentation</b>	<b>3</b>
<b>3. Summary of floor discussion</b>	<b>4</b>
<i>Annexes</i>	<i>9</i>

## **1. Introduction**

CEPA's objective in hosting the Open Forum on Poverty Series is to provide a platform for groups of professionals to enter into a discussion on the research/expertise shared by colleagues and to create a medium for knowledge dissemination. The thirty-fourth Open Forum hosted by CEPA focused on the new poverty statistics based on the Household Income and Expenditure Survey (HIES) 2006/2007.

Mrs. Suranjana Vidyaratne, Director General of the Department of Census and Statistics presented the statistics and indicators of the HIES 2006/2007. Neranjana Gunetilleke, a Senior Professional of the Poverty Impact Monitoring Programme at CEPA made a comment on the statistics of the HIES. The discussion was chaired by Mohammed Munas, a Professional of CEPA's Poverty and Conflict Programme.

## **2. Summary of Presentation**

Mrs. Vidyaratne pointed out the special features of this year's HIES as the survey includes information on housing, health, education, access to assets and other basic amenities. She explained the calculation and the derivation of the national poverty line in Sri Lanka highlighting how the food basket is identified, how the calorie cost and Headcount Index (HCI) are calculated.

In her presentation she noted that as per Laspeyeres' price index by district, Colombo, Kalutara and Gampaha have the largest price indexes by district. The official poverty line stands at Rs.2233, of which Rs.1527 is spent on food items and Rs.706 on non-food items. In terms of the district poverty line, Colombo has highest district poverty line of Rs.2488 while Anuradhapura and Moneragala have the lowest district poverty line; Rs.2117 and Rs.2115.

The HIC is the proportion of the population who fall below the poverty line. The HIES 2006/2007 finds the HCI to be 15.2% and compared to that of 2002 which was 22.7% shows an overall reduction of poverty. Sector wise, all three sectors; rural, urban and estate imply a reduction in poverty. The difference in the rural sectors is stark; the 2002 HIES shows 24.7% of the sector to be below the poverty line while in 2007 it has reduced to 15.7%.

In comparison to with the 2002 HIES, 2006/2007 show a decrease of poverty in all districts of the country except Nuwara Eliya. Mrs. Vidyaratne indicated that further research needs to be carried out to find out the reasons behind both the improvement and increases. District wise, the 2007 HIES presents data from two districts in the Eastern province; Batticaloa and Ampara.

She compared the HCI values according to ethnicity and found that the highest percentage of the poor are Indian Tamil headed households (25.6%). In relation to the characteristics of the head of the household, she noted that there seem to be more female headed households amongst the poor. Further comparison of the HCI and education indicate that a higher percentage of the poor (29.7%) can be found in the 'never being to school' category. Comparison to age group show that a higher number of poor are in the elderly age cohort

while a comparison of the occupation presents a large number of the poor are people who are engaged in elementary work (23.3%).

The poorest deciles have less income share – and this has been the pattern over the past years, indicating increasing levels of income inequality in the country. The rising levels of inequality seem to be more prevalent in the estate and urban sectors.

She also compared the available calories as a percentage of requirements by sector and by district and pointed out that poor segments in Urban and Rural sectors do not get adequate calories while poor in Estate sector do seem to get adequate amount of calories.

She further pointed out that richest segment among household spend 34% of their household expenditure on food and in contrary the poor spends less amount of their income on non-food items. Figures on expenditure on liquor and tobacco as a percentage of total expenditure show higher expenditure (5.9%) in the Estate sectors in comparison to other sectors. Nuwara Eliya has the highest liquor and tobacco consumption rates in the island indicating a possible linkage to the increase in poverty in the district.

In relation to the poverty amongst the head of household she noted that although poverty figures are similar across male and female heads of household, one needs to keep in mind the definition of the household in the survey. The head of household is defined according to how household members identify the head of household. This definition is insufficient as the underlying cultural issues and perceptions that can skew these definitions and the findings as a result are ignored.

The new modules on housing included in the survey, based on UNDP definitions, shows that there is not much variance in access to basic necessities – such as housing, except in the Estate sector.

### **3. Summary of floor discussion**

The presentation was followed by a comment made by Ms. Neranjana Gunetilleke afterwards a floor discussion. Her comment attempted to present some explanations for the data acknowledging that seeing poverty in this way was adopting a Reductionist view. Comparing the trends of national poverty data she stated that poverty in Sri Lanka is showing a reducing trend over the years. The past increases have been explained through the prevalence of droughts and agricultural decline.

The district figures show that all the districts, except in Nuwara Eliya, have reduced poverty levels. She noted that it should be researched and understood whether the improvement is an impact of policies or other factors. There is a need to understand such trends because it is related to policy and to the changes that are happening as a result of policies as they will push poverty in some direction. She pointed out that even though the poverty figures are low as a percentage, it is important to look at the absolute numbers of a population living below the poverty line.

When considering sectoral poverty; in the urban sector the poverty figures are low. Colombo and Gampaha districts account for these low figures. Since the absolute numbers of poor in urban sector is larger than those are in the rural sector, it is important to consider the urban poverty factor. In 2004, when CEPA was looking at a Study with an Urban Poverty focus,

very limited amount of literature could be found. This knowledge gap still exists, thus there is vital need for more research.

The estate sector is an outlier when the poverty figures are considered. The estate sector has always been the poorest sector, given its poor socio economic conditions. It shows that development in this region is not heading in the same direction as the rest of the country despite the huge investment in welfare and business development of the industry. She noted that the progress that is being made needs to be looked at in proportion to these figures. Rubber prices have been high recently; tea has not been suffering either so it is difficult to justify these poverty figures.

Nuwara Eliya district has contributed to push the poverty figures in the estate sector to a higher level. Insufficient policy focus or focus not being aligned to the requirements of the sector could be a reason for this result. It being a district where tea, vegetable cultivation, animal husbandry and tourism perform well and people receive relatively better wages, justification of the existing poverty situation of Nuwara Eliya district is difficult. However there is a possibility that Walapane and Hanguranketha DS divisions, having the highest rates of poverty in the district and constantly affected by natural disasters, contribute significantly to make the district among the poorest.

When considering the district trends, Kurunagala and Polonnaruwa districts have low levels of poverty while DS divisions bordering conflict regions show a higher level of poverty. In Kegalle district, even though all the DS divisions are poor and fall within the poorest 119 DS divisions in 2002, the level of poverty has reduced. The boom in the rubber plantations could have contributed to this reduction as the district is predominantly a rubber producing region.

Puttalam and Hambantota districts have shown high levels of poverty in the past but the recent figures show decreases. The reasoning of this is unclear. One reason could be the effect of the Tsunami response on the district. Other districts that were adversely affected by the Tsunami, such as Ampara and Batticaloa show lower levels of poverty and high level of consumption. Other possible explanations include the backwash effects of an increasing demand for construction labour and people moving to these regions for aid work. However it must be remembered that the tsunami did not affect the whole district. In the case of Hambantota district the tsunami affected 5% of the GNs and hence it is questionable as to whether this situation could have pushed to the entire district out of poverty.

Increasing migration and remittance flows into the districts could explain the reduction of poverty. It shows that households have sufficient money to attain an acceptable level of consumption. In Ampara only 25% of G.N. divisions were hit by Tsunami and remittances have been helpful to them to reduce level of poverty.

The discussion then led to a question and answers session where several importance aspects of HIES like the methodology used, data and the trends were discussed at length. A question was raised on how the low expenditure on health and education in the estate sector than in the other sector, despite the heavy subsidisation of education and health in the sector was captured. It was noted by a member in the audience that the actual figures may be hidden.

In response it was highlighted that the methodology has been developed based on expenditure patterns. If total expenditure is lower than what is defined then the household is considered poor. If expenditure is over or under the estimated amount in anything,

including food it will be reflected in the poverty line. Non-purchased items will be reflected in these costs if it is disclosed by the household. Subsidies would not be included as it is based on what is spent. However these also depend on the respondents and their responses.

Further a question was raised on the relevance of absolute poverty and stressed the need to pay attention to relative poverty and assess how lower income groups cope with conditions. Micro studies are showing that people do not have sufficient income to meet basic necessities. Issues relating to income deficit and various other non-food requirements of the income groups should be considered. However, focusing on absolute poverty; is very much based on a user's point of view.

In the discussion on methodology it was pointed out that there has been an attempt to combine both Census dataset in 2002 with HIES dataset to obtain poverty related information at DS level.

Another question was raised on explaining the trend. It was noted that we should not be looking for a particular factor but rather understand that it is a convergence of a range of factors. For instance population growth is a major factor to consider as is the change/reduction in family size that has implications for poverty figures. It was agreed that the average family size has reduced to about 4 members in Sri Lanka and could have implications on poverty reduction.

Poverty trends need to consider both economic growth and poverty alleviation programs such as Janasaviya. Though growth in services, manufacturing and construction sectors can be observed in Colombo district such analysis does not show the economic structures at district level. However CBSL and DCS do provide GDP data at national level, DCS further provides GDP data at provincial level.

Economic growth in the districts have been said to have a downward trend and it is interesting to see poverty reducing. Could there be any relationship to economic growth? It was noted that although GDP data is published at the national level it has its own problems as it is difficult to compute GDP information. For instance it we don't have transport information at the district level. Hence a lot of information is missing. With regard to economic growth and impact on poverty reduction; it is up to the researchers to see the linkages. The importance of role of organisations and role of informal sector in poverty reduction was also highlighted at this point.

The possibility of Hambantota reductions having a political explanation/contribution was suggested. Nevertheless it was noted that it is difficult to separate political agendas from poverty alleviation strategies. If political influence is creating the decline in poverty that is good. For poverty alleviation projects it is difficult to say that the large projects are adding to the poverty figures. With regards to the current political influence; the influence most probably would have been both past political projects as well as current political influence.

It was commented that the Labour Force Survey has information on the informal sector and this can be related to poverty figures. Lower figures in places like Polonnaruwa could also be because of the size of the landholdings; these are settlements sites and the extent of land that the settlers were given were quite large.

When consider the sectoral poverty, it was pointed out that having a better understanding of the role of urbanisation and the informal/small holder sector is contributory factors to this

trend. Nuwara Eliya is an exception that suggests that the plantation model has not been successful and that there is a need for major restructuring. Although much of the contribution to plantation crops comes from small holder sector it has classified under rural sector.

Various classifications have implications on understanding the poverty levels in the respective sectors and therefore some policy influence is needed towards changing these definitions. Further it was stressed the need to refine this kind of urban, rural and estate classification as most of the DS divisions previously classified under rural, currently come under urban sector. As a solution it was suggested to avoid this kind of urban, rural and estate classification. It was noted that there was an attempt by DCS to define a statistical definition and administrative definition to these sectors using 2001 dataset.

A number of definitions need to be altered to reflect the reality. One needs to move away from the current sectoral definition. For instance the small holder tea sector is included into the estate sector definition. There is a need to disaggregate this to be able to see the differential impacts. This may help us determine the small holder/low country cause and effect relationship. Places that show high declines in poverty, such as Ratnapura are also where there is a lot of small holder tea. However there are also issues of access, especially to markets that need to be considered.

The urban sector definition too needs to be revised. Many places that have urban characteristics are still considered rural. A closer look at the provincial and district breakdowns in order to provide explanations more than the sectoral breakdown is needed as the funds allocate by the government depend on this.

However the DCS noted that if alternative definitions are required it needs to be a policy decision. As an alternative the DCS is trying to develop a statistical definition using identified urban characteristics to derive alternative urban data. This will use census data and be published with the data using the standard definition.

In addition a rethink on the definition of poverty that is being adopted in Sri Lanka was emphasised. It needs to reflect the large number of young disabled people in this country due to conflict and it should include their coping mechanisms. Similar considerations are necessary in relation to the growing aging population. This shows that we need to rethink poverty and the nature of poverty in Sri Lanka. In answering to these it was highlighted that DCS do collect data on disabled population.

Further it has pointed out that there are differences in levels of poverty even within the small holder sector dominant districts. The reason may be due to differences in access to infrastructure including access to market facilities.

When consider the districts it was argued that political influence and long term and large scale development projects implemented in Hambanthota district would have an effect on the level of poverty in Hambanthota. Also more level of poverty has concentrated in the districts where people depend more on agriculture. However we cannot apply the same argument to Polonnaruwa and Anuradhapura districts, with comparatively low levels of poverty. In Polonnaruwa district, the level of household income is higher due to large scale paddy land holdings, high levels of remittances and large number of settlements. However a higher level of poverty can be observed in some DS divisions situated closer to border areas.

There were more questions raised regarding agricultural production, relevance of the small holder tea/low country tea, and the reflection of the increases in rubber prices. It was stressed that we need the data disaggregated differently to be able to answer these questions as they cannot be answered from a sectoral analysis.

It was further highlighted that in the year of the survey the agriculture sector performed quite well and that this could explain the positive poverty figures. In 2008 this could have worsened because of high inflation figures. In terms of the hypothesis comparing the tea and rubber sectors; it should be noted that the tea sector is suffering from different market fluctuations whereas the rubber sector has boomed, and these factors need to be taken into consideration. With regards to agriculture; some preconceived notions are difficult to change. Predominantly paddy cultivating districts do not seem to be the poorer districts. This appears to be a trend that is difficult to understand. Polonnaruwa has been pulled down and show greater levels of poverty because the poorest DS divisions are close to the border of the conflict areas.

Some noted that seeing the breakdown of transfer incomes could help us explain the impact of remittances on poverty. It appears to be playing a big role in poverty reduction. In terms of internal remittances the income from the armed forces also could have an influence.

It was pointed out that more contemporary issues, such as the food crisis and environmental hazards need to be considered in understanding poverty. This could mean that Sri Lanka will have to cope with a different sort of poverty. Similarly we need to consider climatic vulnerability, which includes looking at definitions of disasters.

It is important to note that we are doing something right and it we need to find out what it is that we are doing right. However we cannot forget in absolute numbers it is a large group of people who are still in poverty, especially in the urban sector. The discussion ended with a remark that more studies are needed to understand the district variations.



## ***Annexes***

The PowerPoint presentation of Dr. Vidyaratne's presentation is not annexed upon her request, as the data presented has not been published by the DCS.

### **Annex 01: PowerPoint Slide used at Neranjana Gunetilleke discussion**

District trends in poverty levels			Difference b/w 2002 - 2006
	2002	2006/7	
Nuwara Eliya	22.6	33.8	-11.2
Ampara	0	10.9	-10.9
Batticaloa	0	10.7	-10.7
Colombo	6.4	5.4	1
Gmapaha	10.7	8.7	2
Moneragala	37.2	33.2	4
A'pura	20.4	14.9	5.5
Kalutra	20	13	7
Ratnapura	34.4	26.6	7.8
Kandy	24.9	17	7.9
Kurunagala	25.4	15.4	10
Matale	29.6	18.9	10.7
P'naruwa	23.7	12.7	11
Kegalle	32.5	21.1	11.4
Galle	25.8	13.7	12.1
Matara	27.5	14.7	12.8
Badulla	37.3	23.7	13.6
Puttalam	31.3	13.1	18.2
H'tota	32.2	12.7	19.5
Sri Lanka	22.7	15.2	7.5

## Annex 02: List of Attendees

	Name	Organisation
01.	Lahiru Perera	Foundation for Co-Existence (FCE)
02.	Nelun Gunasekara	Asian Development Bank
03.	Suranjana Vidyaratne	Department of Census and Statistic
04.	Samantha Whybrow	The Nation
05.	Lasantha Rodrigo	Save the Children
06.	Methsiri De Silva	Save the Children
07.	Katrin Schiluetter	Friedrich Ebert Stiftung
08.	Savithri Goonesekere	CEPA Board of Directors
09.	Hiran De. Dias	
10.	Shayama Salgado	International Labour Organisation
11.	Henrik Vistisen	International Labour Organisation
12.	Mumtaz Faleil	Foundation for Co-Existence (FCE)
13.	Kanchana Chathurani	Foundation for Co-Existence (FCE)
14.	Manaha Velauthan	Foundation for Co-Existence (FCE)
15.	Kavitha Gunasekera	Foundation for Co-Existence (FCE)
16.	Ruwan Jayathilake	Institute of Policy Studies
17.	Hasitha Wickremasinghe	Asian Development Bank
18.	Jagath Peththawadan	Asian Development Bank
19.	Siri Hettige	SPARC
20.	Amala De Silva	University of Colombo
21.	Joachim Schiffle	Friedrich Ebert Stiftung
22.	Bijay Kumar	Action Aid International
23.	W.G. Somaratne	Oxfam-Australia
24.	Frank Niranjan	Council for Agricultural Research Policy
25.	S. Shivakumaran	CEPA
26.	Ishara Rathnayake	CEPA
27.	Prashan Thalayasingam	CEPA
28.	Azra Abdul Cader	CEPA
29.	Priyanthi Fernando	CEPA
30.	Mansi Kumarasri	CEPA
31.	Amila Balasooriya	CEPA
32.	K.I.H Sanjeewanie	CEPA
33.	Arunika Meedeniya	CEPA
34.	Fiona Remnant	CEPA